

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911**

**Mountain City, Tennessee**

**FINANCIAL STATEMENTS  
For the Twelve Month Period Ended  
June 30, 2009**

**(Independent Auditors' Report Thereon)**

JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911

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## **JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911**

December 14, 2009

To the Johnson County E 911 Board Members

This report consists of management's representations concerning the finances of the Johnson County Emergency Communications District 911. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Organization has established a comprehensive internal control framework that is designed both to protect the Organization's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Organization's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Organization's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Organization's financial statements have been audited by Eddy & Eddy, CPA's, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Organization for the fiscal year ended June 30, 2009 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Organization's financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Organization's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Government**

The Organization was created under the authority of Title 7, Chapter 86, Tennessee Code Annotated. The Organization is dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

The Organization operates under the board-director form of government. The board is responsible, among other things, for adopting the budget, and for carrying out the policies of the board, and for overseeing the day-to-day operations of the Organization.

Respectfully submitted,

  
Director

JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911

BOARD MEMBERS  
As of June 30, 2009

Chairman	Randy Stewart
Vice Chair	Janet Wilson
Secretary	Willie DeBord
Other Board Members	Bob Graybeal Jack Greer Gene Hackney Bob Morrison Tom Taylor

MANAGEMENT OFFICIALS  
As of June 30, 2009

Director	Eugene Campbell
Assistant Director	Michelle Arney

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Johnson County Emergency Communications District 911's annual financial report presents our discussion and analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2009. Please read it in conjunction with the transmittal letter at the front of this report and the Organization's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The Organization's total net assets increased by \$39,920 during the fiscal year. However, the invested in capital assets decreased by \$28,735.
- During the year, the Organization's expenses were \$39,920 less than the \$442,181 generated in revenues. Last fiscal year revenues exceeded expenses by \$52,622.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplementary information.

The basic financial statements of the Organization are proprietary fund statements. Proprietary fund statements offer short- and long-term financial information about activities that operate like a business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 summarizes the major features of the Organization's financial statements, including the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

**Figure A-1**  
**Major Features of the Organization's Fund Financial Statements**

	<b>Fund Statements</b>
	<b>Proprietary Funds</b>
Scope	Activities the Organization operates similar to private businesses
Required financial statements	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows Budgetary comparison schedule Schedule of information
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid

**Fund Financial Statements**

The fund financial statements provide detailed information about the Organization.

- Proprietary funds-Services for which the Organization charges customers a fee are generally reported in proprietary funds. Proprietary funds provide both long- and short-term financial information.

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

**Net assets.** The Organization's combined net assets increased \$39,920 between fiscal years 2008 and 2009 with an ending balance of \$793,233. (See Table A-1.) In comparison, last year net assets increased \$52,622.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

**Table A-1**  
**Johnson County Emergency Communications District 911 Net Assets**

	2008	2009	Total Percentage Change
Current and other assets	\$524,583	\$589,745	12.4%
Capital assets	\$240,098	\$211,363	-12.0%
<b>Total assets</b>	<b>764,681</b>	<b>801,108</b>	4.8%
Long-term debt outstanding	-	-	
Other liabilities	11,368	7,875	-30.7%
<b>Total liabilities</b>	<b>11,368</b>	<b>7,875</b>	-30.7%
Net assets			
Invested in capital assets	240,098	211,363	-12.0%
Unrestricted	513,215	581,870	13.4%
<b>Total net assets</b>	<b>\$ 753,313</b>	<b>\$ 793,233</b>	5.3%

Net assets of the Organization increased almost 5 percent to \$793,233. However, some of those net assets are invested in capital assets (buildings, equipment, office equipment, and so on). Consequently, unrestricted net assets showed a \$68,655 increase at the end of this year while net assets invested in capital assets decreased \$28,735.

**Changes in net assets.** The Organization's total revenues decreased by more than 4 percent to \$442,181. (See Table A-2.) More than three percent of the Organization's revenue is from governmental grants and reimbursements. Almost 48 percent of the Organization's revenue comes from E-911 charges and shared wireless surcharges. Contributions from other governments represented almost 25 percent of the Organization's revenue. The remainder comes from investment income, alarm monitoring, and other operating and nonoperating revenue.

The total cost of all services decreased approximately \$8,500, or about two percent. This decrease resulted from decreased costs in training, professional fees, depreciation, insurance, office expense, and dues and subscriptions. The Organization's expenses cover a range of services with about 57 percent related to director/dispatcher expenses.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

**Table A-2**  
**Changes in Organization's Net Assets**

	2008	2009	Total percentage change 2008-2009
<b>Revenues</b>			
Emergency Telephone Service	\$180,169	\$175,010	-2.9%
TECB - Operational Funding	-	86,169	-
State EMS - Shared Charges	27,859	38,006	36.4%
Alarm Monitoring	-	-	-
Other Operating Revenues	1,902	2,036	7.0%
Governmental Grants and Reimbursements	131,380	14,021	-89.3%
Contributions from Other Governments	111,000	111,000	0.0%
Gain (Loss) on Disposal of Assets	-	950	-
Miscellaneous Income	593	113	-81.00%
Interest Income	10,519	10,372	-1.4%
Insurance Reimbursements	-	4,504	-
<b>Total revenues</b>	<u>\$ 463,422</u>	<u>\$ 442,181</u>	-4.6%
<b>Expenses</b>			
Director/Dispatcher	225,838	229,283	1.5%
Health, Life, Dental Insurance	21,895	24,972	14.1%
Retirement	13,218	17,460	32.1%
Data Processing Services	18,880	-	-
Advertising	600	800	33.3%
Insurance	7,577	7,139	-5.8%
Office Expense	2,245	2,176	-3.1%
Dues & Subscriptions	630	593	-5.9%
Professional Fees	8,787	6,745	-23.2%
Communications	27,977	31,104	11.2%
Repairs & Maintenance	22,397	28,339	26.5%
Training	5,345	1,599	-70.1%
Travel	1,456	4,243	191.4%
Vehicle Expense	1,745	2,216	27.0%
Depreciation	46,042	39,950	-13.2%
Bad Debts	-	-	-
Other	6,168	5,642	-8.5%
<b>Total Expenses</b>	<u>410,800</u>	<u>402,261</u>	-2.1%
<b>Increase (Decrease) in Net Assets</b>	<u><b>\$ 52,622</b></u>	<u><b>\$ 39,920</b></u>	-24.1%

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal year 2009 the Organization had invested \$211,363 in capital assets, including land, equipment, and building. This amount represents a net decrease (including additions and deductions) of \$28,735 or about 12 percent over last year.

#### **Long-term Debt**

During the fiscal year ended June 30, 2009, the Organization had no long-term debt.

### **CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Johnson County Emergency Communications District 911, 999 Honeysuckle Street, Mountain City, TN 37683.



**Eddy & Eddy**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Johnson County Emergency Communications District 911  
Mountain City, Tennessee

We have audited the accompanying financial statements of the Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, as of June 30, 2009 and for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

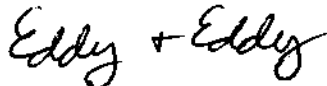
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Johnson County Emergency Communications District 911 as of June 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedule of funding progress - employee retirement system are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The introductory section, schedule of information, and budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, schedule of information, and budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Eddy & Eddy, CPAs, P.C.  
December 14, 2009

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911  
Statement of Net Assets  
June 30, 2009**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 456,152
Accounts Receivable, net	14,341
Due From Tennessee Emergency Communications	23,577
Investments	95,675
Total Current Assets	<u>589,745</u>

Noncurrent Assets:

Capital Assets:

Land	4,767
Building	70,822
Furniture and Fixtures	5,590
Office Equipment	16,353
Communications Equipment	293,721
Vehicles	22,366
Less Accumulated Depreciation	<u>(202,256)</u>
Total Noncurrent Assets	<u>211,363</u>
Total Assets	<u>801,108</u>

**LIABILITIES**

Current Liabilities:

Accrued Payroll	4,387
Accrued Payroll Taxes	561
Accrued Compensated Absences - Current Portion	2,927
Total Current Liabilities	<u>7,875</u>

Noncurrent Liabilities:

Total Liabilities	<u>7,875</u>
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**NET ASSETS**

Invested in Capital Assets	211,363
Unrestricted	581,870
Total Net Assets	<u>\$ 793,233</u>

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911  
Statement of Revenues,  
Expenses and Changes in Net Assets  
For the Year Ended June 30, 2009**

**OPERATING REVENUES**

Emergency Telephone Service	\$ 175,010
TECB - Operational Funding	86,169
State EMS - Shared Charges	38,006
Other Operating Revenues	<u>2,036</u>
Total Operating Revenues	<u>301,221</u>

**OPERATING EXPENSES**

Executive Director Salary	26,480
Dispatchers	178,850
Bonuses	7,577
Social Security	15,607
Life Insurance	404
Medical Insurance	24,568
Unemployment Compensation (Taxes)	769
Retirement Contributions (TCRS)	9,740
ING Retirement	7,720
Advertising	800
Audit Services	6,200
Accounting Services	545
Telephone PSAP	23,946
Maintenance Agreements	26,431
Maintenance & Repairs-Communication Equipment	1,577
Maintenance & Repairs-Office Equipment	331
Maintenance & Repairs-Vehicles	2,216
Office Supplies	1,884
Custodial Supplies	96
Postage	196
Utilities-General Telephone	7,058
Cell Phones and Pagers	100
Dues and Memberships	593
Insurance-Workers Compensation	1,929
Insurance-Liability	4,620
Insurance-Vehicles	590
Licenses and Fees	359
Premiums on Surety Bonds	560
Public Education	500
Training Expenses	1,599
Travel Expenses	4,243
Other Operational Expense	4,223
Depreciation	<u>39,950</u>
Total Operating Expenses	<u>402,261</u>
Operating Income (Loss)	<u>(101,040)</u>

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911  
Statement of Revenues,  
Expenses and Changes in Net Assets  
For the Year Ended June 30, 2009**

**NON-OPERATING REVENUES**

Gain (Loss) on Disposal of Assets	950
Government Grants and Reimbursements Income	14,021
Miscellaneous Income	113
Contributions from Other Governments	111,000
Interest Income	10,372
Insurance Reimbursements	<u>4,504</u>
Total Non-Operating Revenues	<u>140,960</u>
Change in Net Assets	39,920
Net Assets - Beginning of the Year	<u>753,313</u>
Net Assets - End of the Year	<u><u>\$ 793,233</u></u>

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2009**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 301,945
Cash payments to employees for services	(210,256)
Cash payments to suppliers for goods and services	<u>(151,045)</u>
Net cash provided (used) by operating activities	<u>(59,356)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Grants and reimbursements received	(2,426)
Contributions from other governments	<u>111,000</u>
Net cash provided (used) by noncapital financing activities	<u>108,574</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchase of capital assets	(11,215)
Proceeds from sale of fixed assets	<u>950</u>
Net cash provided (used) for capital and related financing activities	<u>(10,265)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest and dividends on investments	10,372
Interest and dividends reinvested	<u>(2,722)</u>
Net cash provided (used) by investing activities	<u>7,650</u>

Net increase (decrease) in cash and cash equivalents	46,603
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<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>409,549</u>
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<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 456,152</u></u>
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**Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities**

Operating Income (Loss)	\$ (101,040)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	39,950
Insurance Reimbursement	4,504
Miscellaneous Income	113
Change in assets and liabilities:	
Decrease in accounts receivable	610
Decrease in accounts payable	(2,244)
Increase in accrued payroll taxes	(3,901)
Increase in accrued payroll and compensated absences	<u>2,652</u>
Net cash provided (used) by operating activities	<u><u>\$ (59,356)</u></u>

See accompanying notes to financial statements.



JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The proprietary fund's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Organization's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Organization's reporting entity does not apply FASB pronouncements or APB opinions after November 30, 1989.

Nature of Activities

The Johnson County Emergency Communications District 911 is an agency dedicated to providing emergency communications for the purposes of enhancing "911" and selective routing services.

Basis of Accounting

The financial statements of the Organization are reported using the accrual basis of accounting. In the accrual basis of accounting, revenues are generally recognized when earned and expenses recognized when incurred.

Financial Statement Presentation

The operations of the Organization are accounted for in a proprietary fund. Proprietary funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting. This is the same measurement focus and basis of accounting used by private business enterprises.

Budgetary Control

The budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenses are budgeted on a line item basis. The Director along with three budget committee members meets to discuss the budget. Budget amendments are approved by the Board.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid investments with an initial maturity of three months or less, cash on hand, and all cash accounts which are not subject to withdrawal restrictions or penalties.

Property and Equipment

Property and equipment are stated at cost, or in the case of contributed assets, at their fair value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The Organization's capitalization policy is to capitalize office and communication equipment costing \$1,000 or more and to capitalize any amount for vehicles, building, or land.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense for the year ended June 30, 2009 amounted to \$800.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, or in the case of contributed assets, at their fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Buildings are depreciated over forty (40) years; vehicles, furniture and equipment are depreciated between three (3) to ten (10) years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation expense at June 30, 2009 amounted to \$39,950.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 2. PROPERTY AND EQUIPMENT (Continued)

Property and equipment are composed of the following:

	Capital Assets, Not Depreciated		Capital Assets, Depreciated				
	<u>Land</u>	<u>Building</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Communi- cations Equipment</u>	<u>Vehicles</u>	<u>Totals</u>
Balance June 30, 2008	\$ 4,767	\$70,822	\$ 5,590	\$ 9,742	\$ 293,721	\$ 32,362	\$ 417,004
Increases	-	-	-	6,611	-	4,604	11,215
Decreases	-	-	-	-	-	(14,600)	(14,600)
Balance June 30, 2009	<u>\$ 4,767</u>	<u>\$70,822</u>	<u>\$ 5,590</u>	<u>\$ 16,353</u>	<u>\$ 293,721</u>	<u>\$ 22,366</u>	<u>\$ 413,619</u>
Accumulated Depreciation:							
Balance June 30, 2008	\$ -	\$23,371	\$ 3,087	\$ 6,697	\$ 125,155	\$ 18,596	\$ 176,906
Increases	-	2,391	529	1,143	31,567	4,320	39,950
Decreases	-	-	-	-	-	(14,600)	(14,600)
Balance June 30, 2009	<u>\$ -</u>	<u>\$25,762</u>	<u>\$ 3,616</u>	<u>\$ 7,840</u>	<u>\$ 156,722</u>	<u>\$ 8,316</u>	<u>\$ 202,256</u>
Capital Assets, Net	<u>\$ 4,767</u>	<u>\$45,060</u>	<u>\$ 1,974</u>	<u>\$ 8,513</u>	<u>\$ 136,999</u>	<u>\$ 14,050</u>	<u>\$ 211,363</u>

NOTE 3. ACCOUNTS RECEIVABLE

The Organization's accounts receivable at June 30, 2008 is comprised of \$14,341 from E 911 surcharges. Due from Tennessee Emergency Communications consists of \$23,577 from ECB wireless revenue.

NOTE 4. COMPONENT UNITS

Johnson County Emergency Communications District 911 is a component unit of Johnson County, Tennessee. Johnson County, Tennessee is the primary government and exercises influence. Positions on the board of the Johnson County Emergency Communications District 911 are appointed by the primary government. The primary government controls the borrowing power of the Johnson County Emergency Communications District 911 and sets the rate for the E-911 surcharge income.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 5. RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2009 consist of the following:

Balance at June 30:	2009
Cash - Checking	\$ 354,638
Cash - Savings	<u>101,514</u>
Cash and Cash Equivalents	<u>\$ 456,152</u>

The Organization maintains deposit accounts at commercial banks in Mountain City, Tennessee. In May, 2007 the Board approved the adoption of the State of Tennessee's investment policy.

Various restrictions on deposits are imposed by state statutes. All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Organization.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization does not have a policy related to such risk. At June 30, 2009, the carrying amount of the Organization's deposits was \$551,827, and the bank balance was \$552,550. At June 30, 2009 all deposits were fully insured.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 7. INVESTMENTS

Investments as of June 30, 2009 consist of the following:

	Cost 2009	Fair Value 2009	Carrying Value 2009
Balance at June 30:			
Certificates of Deposit	\$ 95,675	\$ 95,675	\$ 95,675
Investments	\$ 95,675	\$ 95,675	\$ 95,675

State statutes authorize the Organization to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; the State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority. The Organization adopted the State of Tennessee's investment policy regarding authorized investments in May 2007.

NOTE 8. OPERATING/NONOPERATING DISTINCTION

The Organization distinguishes operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with the Organization's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

NOTE 9. ING RETIREMENT PLAN

On 1-1-08 the Organization adopted a 457(b) deferred compensation plan. The Organization matches participating employee contributions in a four to one ratio. The Organization's matching amount at June 30, 2009 amounted to \$7,720, as reflected on the statement of revenues, expenses, and changes in net assets.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 10. TCRS RETIREMENT PLAN

Plan Description

Employees of Johnson County 911 ECD are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Johnson County 911 ECD participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/>.

Funding Policy

Johnson County 911 ECD requires employees to contribute 5.0 percent of earnable compensation.

Johnson County 911 ECD is required to contribute at an actuarially determined rate; the rate for fiscal year ending June 30, 2009 was 6.03% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Johnson County 911 ECD is established and may be amended by the TCRS Board of Trustees.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 10. TCRS RETIREMENT PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2009, Johnson County 911 ECD's annual pension cost of \$9,740 to TCRS was equal to Johnson County 911 ECD's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Johnson County 911 ECD's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 15 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$9,740	100.00%	\$0.00
June 30, 2008	\$9,578	100.00%	\$0.00
June 30, 2007	\$9,687	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 91.67% percent funded. The actuarial accrued liability for benefits was \$60 million, and the actuarial value of assets was \$55 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$113 million, and the ratio of the UAAL to the covered payroll was 4.42% percent.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 10. TCRS RETIREMENT PLAN (Continued)

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a) / (b)	(c)	((b) - (a)) / (c)
July 1, 2007	\$55	\$60	\$5	91.67%	\$113	4.42%

NOTE 11. LEASES

On November 26, 2003, the Organization entered into a 15-year lease, renewable for an additional 15 years, with Johnson County, Tennessee, for a room in the Johnson County Jail facility. Annual rent of \$1 is due each December 1, beginning December 1, 2003.

On November 18, 2004, the Organization leased its property located at 158 Nine One One Avenue, Mountain City, Tennessee, to Johnson County for 15 years beginning December 1, 2004, with options to renew for annual terms. Annual rent of \$1 is due each December 1, beginning December 1, 2004.



JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 12. FAIR VALUE MEASUREMENTS

Effective June 30, 2009, we adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

<u>Fair Value Measurements at Reporting Date Using</u>				
	Quoted Prices			
	In Active Markets for Identical Assets		Significant Other Observable Inputs	Significant Unobservable Inputs
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Investments-Unrestricted	\$ 95,675	\$ 95,675	\$ -	\$ -
Total Assets	<u>\$ 95,675</u>	<u>\$ 95,675</u>	<u>\$ -</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are applied using the market approach for investments. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

NOTE 13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2009, which is the date the financial statements were available to be issued.

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**Unaudited**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive (Negative)</b>
Beginning Budgetary Fund Balance:	\$ 38,629	\$ 381,029	\$ 381,029	\$ -
Resources (Inflows):				
OPERATING REVENUES:				
Emergency Telephone Service	183,000	183,000	175,010	(7,990)
TECB - Operational Funding	1,800	74,794	86,169	11,375
State EMS - Shared Charges	30,000	35,920	38,006	2,086
Other Operating Revenues	-	-	2,036	2,036
Total Operating Revenues	214,800	293,714	301,221	7,507
NON-OPERATING REVENUES:				
Grant Income	-	-	14,021	14,021
Contributions from Other Governments	111,000	111,000	111,000	-
Interest Income	3,250	3,250	10,372	7,122
Insurance Reimbursement	-	-	4,504	4,504
Miscellaneous Income	-	4,577	113	(4,464)
Total Non-Operating Revenues	114,250	118,827	140,010	21,183
Amounts available for appropriation	367,679	793,570	822,260	28,690
Charges to Appropriations (Outflows):				
OPERATING EXPENSES:				
Executive Director Salary	\$ 27,274	\$ 26,607	\$ 26,480	\$ 127
Dispatchers	177,500	177,500	178,850	(1,350)
Bonuses	7,540	7,540	7,577	(37)
Social Security	14,875	14,875	15,607	(732)
Medicare	3,475	3,475	-	3,475
Life Insurance	300	404	404	-
Medical Insurance	32,797	25,359	24,568	791
Unemployment Compensation (Taxes)	650	650	769	(119)
Retirement Contributions (TCRS)	8,600	9,983	9,740	243
ING Retirement	-	-	7,720	(7,720)
Advertising	800	800	800	-
Audit Services	6,200	6,200	6,200	-
Accounting Services	2,200	2,200	545	1,655
Telephone PSAP	26,500	23,946	23,946	-
Legal Services	500	500	-	500
Maintenance Agreements	21,000	26,431	26,431	-

See accompanying notes to financial statements.

**JOHNSON COUNTY EMERGENCY  
COMMUNICATIONS DISTRICT 911  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009**

**Unaudited**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Maintenance & Repairs-Communication Equipment	2,500	2,500	1,577	923
Maintenance & Repairs-Office Equipment	1,100	2,921	331	2,590
Maintenance & Repairs-Vehicles	2,100	7,104	2,216	4,888
Office Supplies	2,000	2,000	1,884	116
Custodial Supplies	100	100	96	4
Postage	200	200	196	4
Utilities-General Telephone	6,000	7,500	7,058	442
Cell Phones and Pagers	100	100	100	-
Dues and Memberships	650	650	593	57
Insurance-Workers Compensation	1,600	1,929	1,929	-
Insurance-Liability	4,900	4,900	4,620	280
Insurance-Vehicles	600	600	590	10
Licenses and Fees	375	375	359	16
Premiums on Surety Bonds	420	560	560	-
Public Education	500	500	500	-
Training Expenses	2,000	2,000	1,599	401
Travel Expenses	3,350	4,300	4,243	57
Other Operational Expense	4,500	4,500	4,223	277
<b>Total Operating Expenses</b>	<b>363,206</b>	<b>369,209</b>	<b>362,311</b>	<b>6,898</b>
<b>Total Charges to Appropriations</b>	<b>363,206</b>	<b>369,209</b>	<b>362,311</b>	<b>6,898</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 4,473</b>	<b>\$ 424,361</b>	<b>\$ 459,949</b>	<b>\$ 35,588</b>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

**Sources/inflows of resources**

Actual amounts (budgetary basis) "available for appropriation"	\$ 822,260
Differences - budget to GAAP:	
Gain (Loss) on disposal of assets is not a budgetary resource but is a current-year revenue for financial reporting purposes.	950
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(381,029)
Total revenues as reported on the statement of revenues, expenses and changes in net assets	<u>\$ 442,181</u>

**Uses/outflows of resources**

Actual amounts (budgetary basis) "total charges to appropriations"	\$ 362,311
Differences - budget to GAAP:	
Depreciation is not a budgetary outflow of resources but is a current-year expense for financial reporting purposes.	39,950
Total expenses as reported on the statement of revenues, expenses and changes in net assets	<u>\$ 402,261</u>

See accompanying notes to financial statements.

JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911  
Schedule of Funding Progress - Employee Retirement System

Johnson County Emergency Communications District 911 Employees' Pension Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
July 1, 2007	\$ 55	\$ 60	\$ 5	91.67%	\$ 113	4.42%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the schedule of funding progress using the entry age actuarial cost method. The requirement to present the schedule of funding progress using the entry age actuarial cost method change was made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

See independent auditors' report.

**JOHNSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911**

Schedule of Information  
For the Year Ending June 30, 2009

Unaudited

- 1) The number of public safety answering points (PSAP) is one.
- 2) The address of each PSAP is 999 Honeysuckle Street, Mountain City, TN 37683.
- 3) The type of system/equipment and database used by each PSAP is as follows:

Phone System – Embarq	Database – Microsoft Works
Radio Equipment – Zetron	Mapping System – GeoConex
CAD System – GeoConex	Logging Recorder – NICE/Replay
- 4) The name, address, telephone number, and fax number of the director of the emergency communications district:

Mr. Eugene Campbell, Director  
Johnson County Emergency Communications District  
999 Honeysuckle Street  
Mountain City, TN 37683  
(423) 727-7669      Phone  
(423) 291-9075      Cell  
(423) 727-4830      Fax

- 5) The name, address, and telephone numbers of the chairman of the emergency communications district:

Mr. Randy Stewart  
235 Dent Johnson Road  
Mountain City, TN 37683  
(423) 727-1800      Work Phone  
(423) 727-5879      Home Phone



**Eddy & Eddy**

CERTIFIED PUBLIC ACCOUNTANTS

Member of  
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CERTIFIED PUBLIC ACCOUNTANTS

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Member of  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Johnson County Emergency Communications District 911  
Mountain City, Tennessee

We have audited the financial statements of the Johnson County Emergency Communications District 911, a component unit of Johnson County, Tennessee, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Johnson County Emergency Communications District 911's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Johnson County Emergency Communications District 911's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Johnson County Emergency Communications District 911's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Johnson County Emergency Communications District 911's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Johnson County Emergency Communications District 911's financial statements that is more than inconsequential will not be prevented or detected by the Johnson County Emergency Communications District 911's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: Findings 2009-01, 2009-02, 2009-03, 2009-04, and 2009-05.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Johnson County Emergency Communications District 911's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2009-01 to be a material weakness.

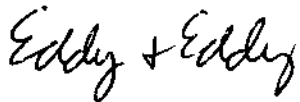
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Johnson County Emergency Communications District 911's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2009-05.

We noted certain matters that we reported to management of the Johnson County Emergency Communications District 911 in a separate letter dated December 14, 2009.

Johnson County Emergency Communications District 911's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Johnson County Emergency Communications District 911's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eddy & Eddy". The script is cursive and fluid, with the ampersand being a simple cross.

Eddy & Eddy, CPAs, P.C.  
Johnson City, Tennessee  
December 14, 2009



## SCHEDULE OF FINDINGS AND RESPONSES

### **Finding 2009-01:** (Repeated from the prior year)

Criteria: The client must make year-end adjustments to the records.

Condition: Revenues were understated by \$15,394; expenses were understated by \$28,380; and working capital was understated by \$15,255. In addition, two auditor proposed adjustments were individually material: reversal of the prior year's receivables at \$22,065 and depreciation expense at \$37,859.

Effect: Revenues were understated by \$15,394; expenses were understated by \$28,380; and working capital was understated by \$15,255. These were considered material misstatements of the financial records.

Cause: Year-end adjustments were not made to the financial records and prior year receivables/payables were not reversed.

Recommendation: We recommend the Organization instruct its bookkeeping firm to prepare and post year-end adjustments and reverse prior year receivables and payables.

Views of Responsible Officials: We will work more closely with our bookkeeping firm to make sure this finding is corrected.

### **Finding 2009-02:** (Repeated from the prior year)

Criteria: An effective system of internal control must segregate employee duties in such a way that no single employee has the ability to initiate, authorize, record, process, and report financial data. When it is not possible to segregate employee duties to prevent one employee from having the ability to perform all of these duties, effective Board oversight is imperative.

Condition: Because of the small staff size, there is a lack of segregation of duties. During audit procedures, no evidence was found of a Board member assigned oversight responsibilities reviewing bank statements, bank reconciliations, payroll tax returns, or journal entries. Only seven out of sixty disbursement test selections reflected evidence of the Board member assigned oversight responsibilities stamp and signature.

Effect: A lack of segregation of duties increases the likelihood of misstatements not being discovered in a timely manner and presents opportunities for fraud.

Cause: The small staff size makes it difficult to maintain proper segregation of duties. This condition was not mitigated by effective Board oversight.

## SCHEDULE OF FINDINGS AND RESPONSES continued

### **Finding 2009-02 continued:**

Recommendation: The Organization's use of an outside bookkeeping firm does not mitigate management's responsibility for the financial records. In addition to the use of an outside bookkeeping firm, we recommend a Board member be designated to review bank statements before they are given to the bookkeeping firm for preparation of bank reconciliations and to review the bank reconciliations after they have been prepared and review invoices, payroll tax returns, and journal entries on a periodic basis. This Board member's review should be documented by initialing and dating documents.

Views of Responsible Officials: A board member will be assigned to review the future bank statements and also the reconciliations.

### **Finding 2009-03:** (Repeated from the prior year)

Criteria: Social security and Medicare taxes must be withheld on employee bonus checks. In addition, bonuses must be included in the payroll tax returns for the quarter in which the bonuses were paid.

Condition: Social security and Medicare taxes were not withheld on employee bonuses paid in December 2008. Employee bonuses were not included in the fourth quarter 2008 payroll tax returns. 2008 Forms W-2 were under reported.

Effect: Wages per the fourth quarter 2008 payroll tax returns and 2008 Forms W-2 were under reported by \$2,731 and social security/Medicare taxes were under paid by \$418 (employer and employee portions).

Cause: Social security and Medicare taxes were not deducted on December 2008 employee bonus checks and these bonus checks were not included in the fourth quarter 2008 payroll tax returns nor were they included in the 2008 Forms W-2.

Recommendation: We recommend for future employee bonus checks staff calculate taxes on these checks and include them on payroll tax returns and W-2s.

Views of Responsible Officials: This finding has already been corrected and will not show up on future findings.

## SCHEDULE OF FINDINGS AND RESPONSES continued

### **Finding 2009-04:** (Repeated from the prior year)

Criteria: The final budget approved by the Board should agree to the original budget as approved by the Board and all Board approved amendments. The Board's minutes should reflect their approval of the final budget. All budgeted amounts should be identified by account name and number.

Condition: The final budget provided by the client did not correspond to the final budget as calculated using the original budget and budget amendments approved by the Board in their minutes.

Effect: Final budget amounts as amended by the Board in its minutes did not reconcile to the final budget amounts kept by staff.

Cause: Staff did not reconcile their budget amounts to the original budget and budget amendments as approved by the Board.

Recommendation: We recommend staff reconcile the final budget amounts to the approved original budget and all approved budget amendments reflected in the Board minutes. The Excel detail used by staff to document the budget should reflect the budget's progression through the fiscal year – not just the end result. All budget line items should be clearly stated.

Views of Responsible Officials: We will work harder to make sure all amendments are made and documented prior to the current fiscal year.

### **Finding 2009-05:** (Repeated from the prior year)

Criteria: Grants require adequate supporting documentation such as copies of grant documents and any required reports be kept.

Condition: Staff did not have any detailed work papers indicating grant funds received and how those funds were disbursed. The close-out grant form for the GIS Mapping Maintenance Grant did not have any information regarding whose salary was paid with the grant funds, the purpose for which the grant funds were used, the time period in which the funds were used, or the amount paid by the grant funds.

Effect: The Organization did not meet the GIS Mapping Maintenance Grant requirement as stated in Section D.12 to maintain documentation for all charges under this contract. Since there was no work papers documenting how the grant funds were disbursed, no audit trail resulted.

## SCHEDULE OF FINDINGS AND RESPONSES continued

### **Finding 2009-05 continued:**

Cause: Staff did not keep detailed supporting documentation for funds disbursed under this grant.

Recommendation: We recommend the client keep all copies of grant documents, any required reports, and a detailed schedule of grant funds received and how those funds were disbursed in separate grant files.

Views of Responsible Officials: Staff will keep a record on how this money is spent.